

ORCAS ISLAND SCHOOL DISTRICT No. 137
San Juan County, Washington
September 1, 1991 Through August 31, 1993

Schedule Of Findings

1. The District Should Maintain Adequate Documentation To Support Experience And Credits Reported To The Superintendent Of Public Instruction (SPI)

Our review of ten certified employee files at Orcas Island School District noted errors in the calculation of experience for one employee; inadequate documentation of experience for three employees; and inadequate documentation of credits for four employees, as reported on the S275/S727 report to SPI.

For the employee whose experience was incorrectly calculated, the experience was reported as 14 years. The employee's personnel file supported 13.66 years. The business manager corrected the number of years reported immediately upon bringing it to his attention.

For the employees that did not have adequate documentation of experience, one employee was missing verification of prior experience for one year out of 20 reported years; one employee was missing verification of 10 years of experience out of 18 reported years (all at one district); the last employee was missing documentation for 4 out of 29 years.

For the inadequate documentation of credits exceptions, one employee had three credits which were not documented. The second employee had three credits which were counted that had the grade "N" which stands for in progress. The employee and the professor have indicated that the class was completed. Both individuals are working with the university to resolve the error. For the third employee, transcripts supporting the reported credits were unofficial. The fourth employee's credits included four credits which had the grade K-W/D which stands for incomplete and subsequently withdrawn.

Washington Administrative Code (WAC) 392-121-280(2) states in part:

Districts shall document total eligible credits on an official transcript or letter from the institutions granting the credits

WAC 392-121-245 states in part:

Regardless of the experience factors used by a school district for the purpose of its salary schedule(s), as used in this chapter, the term "years of experience" means the number of years of accumulated full-time and part-time professional education employment prior to the current reporting school year in the state of Washington, out-of-state, and a foreign county and shall be reported by the school district to the nearest tenth. (Emphasis ours)

The errors noted appear to be the result of oversight and the complexity of the

requirements.

Years of experience and credit information is used to support the calculation of state apportionment funding received by the district. Inadequate documentation could result in reduced funding.

We recommend that the district take steps to ensure that adequate documentation is retained to support credits and experience claimed on the S-275/727 report. We further recommend that partial year experience be calculated accurately.

2. School Enrollment Reports To The Superintendent Of Public Instruction (SPI) Should Be Accurate

Our audit of documentation supporting the November 1991 and September 1992 enrollment reports to SPI found errors in the number of students reported. For November 1991, the number of students reported on the P-223 report is overstated by seven students. In September 1992, the number of students reported is understated by one student. For the handicap enrollment reports (P223-H), the number of students is overreported by six in November 1991 and by seven in September 1992.

RCW 28A.150.250 states in part:

... as the superintendent of public instruction may deem appropriate for consideration in computer state equalization support, excluding excess property tax levies, will constitute a basic allocation in dollars for each annual average full time equivalent student enrolled

For the errors in the P-223 reports, district officials had no specific explanation. The enrollment counts used for audit purposes included "blue book" attendance records and computer lists of students. It is possible that reports that were used by the district were not as accurate as the reports used for audit testing. Turnover in staff who maintained handicapped records and prepared the P-223H report may have contributed to those errors.

For the errors in the P-223H reports, in both months tested, seven students had two handicaps and were counted twice on the P-223H report. In the November 1991 report, one student was not included that could reduce the overreported number to six.

Enrollment reports are used to support the calculation of state apportionment funding received by the district. Inaccurate enrollment counts could result in reduced funding.

We recommend the district establish procedures to ensure accurate reporting of student enrollment. We further recommend the district work with SPI to resolve the misstatements noted above.

3. District Officials Should Improve Controls Over Associated Student Body (ASB) Soft Drink Inventory And Receipts

Our review of the district's ASB soft drink inventory and related sales records disclosed significant discrepancies. In fiscal years 1992 and 1993, the expected soft drink sales receipts, based upon the total amount of soft drinks purchased during the years were significantly different from the actual soft drink receipts. Our analysis is as follows:

	<u>Fiscal Year</u>	
	<u>1992</u>	<u>1993</u>
Retail value of soft drinks inventory purchased for resale	\$5,340	\$6,984
Actual recorded soft drink receipts	<u>4,399</u>	<u>4,207</u>
Unreconcilable Shortage	<u>\$ 941</u>	<u>\$2,777</u>

Possible explanations for these shortages are:

- * Miscoding of Receipts
- * Theft of cash and/or
- * Theft of the soft drink inventory

Our review could not disclose the actual cause of the shortage due to the lack of documentation, however, the shortages demonstrate that weaknesses in the district's internal controls allowed the losses to go undetected. Some of those internal control weaknesses are:

- a. The district did not verify the reasonableness of revenues from the ASB sales by comparing the retail value of goods available for sale with actual cash received.
- b. Physical inventories were not taken.
- c. Access to the storage area was not sufficiently restricted.

It is the management's responsibility to maintain internal control systems to ensure that assets are safeguarded against waste, loss, unauthorized use, and/or misappropriation. The district is exposed to errors and/or irregularities that may remain undetected when the required documentation is not maintained.

We recommend, at a minimum, that the district institute the following controls over soft drink sales receipts:

- a. Verify count of soft drink inventory actually received.
- b. Maintain a perpetual inventory of soft drinks on hand and placed in the vending machines.
- c. Periodically perform a reconciliation of soft drink receipts and soft drink inventory by a person independent from soft drink receipts and inventory.

4. The District Should Improve Controls Over General Ledger Journal Entries

General ledger journal entries are usually prepared and recorded by the same individual. These entries are made without review or approval by someone not involved with their preparation and entry.

General ledger procedures should be designed to provide reasonable assurance that:

- a. All information that should be recorded is recorded.
- b. All recorded information was authorized.
- c. Errors or irregularities will be detected within a reasonable period of time.

Preparation and recording of journal entries by the same individual combined with the absence of review and approval procedures reduce the level of assurance that the above objectives will be realized.

Journal entries have been processed in the manner reported above due to the limited staff available in the district office.

We recommend the district provide review and approval of all journal entries and/or resulting reports by someone other than the person preparing and recording the journal entries. In the 1993-94 school year, the new superintendent has begun to review general ledger journal entries which should eliminate this concern in the future.